

Statement of Investment Principles for the Methodist Ministers' Pension Scheme

3 March 2022

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Methodist Ministers' Pension Trust Limited ("the Trustee") on various matters governing decisions about the investments of the Methodist Ministers' Pension Scheme ("the Scheme"), including its policy in relation to choosing investments as required by section 36 of the Pensions Act 1995 ("the Act"). This SIP replaces the previous SIP dated 9 September 2021. The Scheme is a defined benefit ("DB") pension scheme.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Act, the Occupational Pension Schemes (Investment) Regulations 2005 (as amended), and the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("OPSCGR 2015") (as amended).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of schemes such as the Scheme. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- **Appendix 1** sets out details of the respective key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out the Scheme's investment manager arrangements.

2. Investment objectives

The Trustee's primary objective for the Scheme is to ensure that the Scheme should be able to meet benefit payments as they fall due. A secondary objective for the Scheme is that it should be fully funded (ie the asset value should be at least equal to the value of its liabilities). The Trustee is aware that there are various measures of funding and has given due weight to those considered most relevant to the Scheme.

The Trustee's investment objective is to maximise the return on the Scheme's assets whilst managing and maintaining investment risk at an appropriate level and taking into account the primary objective.

3. Investment strategy

The Trustee's policy in relation to the kinds of investments to be held and the balance between different kinds of investment is set out below.

3.1. Investment strategy

The Trustee, with the help of written advice from its advisers and in consultation with the employer, reviews the investment strategy regularly, taking into account the objectives described in Section 2 above.

The result of the most recent review was that the Trustee agreed that the investment strategy of the Scheme should be based on the allocation below.

Asset class	Strategic allocation* (%)
UK equities	12.5
Overseas equities	12.5
UK property	7.5*
Impact investing	10.0
Total growth portfolio	42.5
Corporate bonds	27.5
Liability Driven Investment ("LDI") and Cash	30.0
Total defensive portfolio	57.5
Total	100.0

*Please note the move to reduce the property allocation (from 10% to 7.5%) was in progress but had not yet been implemented at the time this SIP was adopted due to the less liquid nature of the asset class.

Please also note for the impact investing mandate, the nature of the drawdown process, being spread over time, means that exposure to the asset class will increase gradually over time. Likewise, the equity allocation will gradually decrease with each drawdown.

The Trustee monitors the overall asset allocation. If material unexpected deviations from the strategic allocation occur the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions, anticipated future cash flows and the liquidity constraints of some asset classes.

The Trustee currently targets interest rate and inflation hedging levels of circa 100% (measured on a Gilts + 0.5% pa liability basis).

4. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes, and the expected returns and risks associated with those asset classes. The key financial assumption made by the Trustee, after discussions with its investment adviser, in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 4.8% pa. The other key assumptions for expected returns above gilts are as follows:

Asset class	Expected excess return over gilts (% pa)
UK equities	4.8
Overseas equities	4.8
Impact investing	5.3
UK property	3.1
Corporate bonds	0.7
Dynamic LDI	0.7

In setting the strategy the Trustee also took into account:

- That the assets of the Scheme must be invested in the best interests of its members and beneficiaries and, in the case of a potential conflict of interests, in the sole interests of members and beneficiaries;
- Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005 (as amended);
- the circumstances of the Scheme, including the profile of the benefit cash flows, the funding level, and the strength of the sponsor covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- any other considerations which the Trustee considers financially material over the time horizon that the Trustee considers is needed for the funding of future benefits by the investments of the Scheme;
- the Trustee's investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes; and
- the need for appropriate diversification between different asset classes.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;

- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors (including climate change and ethics) may be an area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors. The Trustee's beliefs about ESG factors are covered in more depth in its Responsible Investment policy document;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

The Trustee's policy for complying with the requirements of Section 36 of the Act is set out below.

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

During the retention of any investment, the Trustee regularly considers at what intervals the circumstances and nature of the investment make it desirable to obtain such advice from its investment adviser, and obtains and considers such advice accordingly.

Details of the investment managers are set out in Appendix 3.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed and investment powers delegated. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are either authorised or (where applicable) not required to be authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee has limited influence over managers' investment practices because all of the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial

and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. The Trustee's policy is not to fix the duration of any mandate in advance, instead it aims to monitor managers on an ongoing basis based on performance and other key indicators (including but not limited to the views of their advisers). If serious concerns arise termination of the mandate will be considered. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates, to enable it to factor such costs into its decisions.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments. When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements.

7. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. The Trustee recognises that it has an important influence on the Scheme's approach to ESG, ethics, and other financially material considerations through its investment strategy and manager selection decisions. The Trustee has formulated a Responsible Investment Policy which describes its approach in this area in more detail, with key elements summarised here. The Trustee believes that this Policy is consistent with the views of members and will not be financially detrimental to the Scheme.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as an integral part of their investment processes. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and regularly reviews how its managers are taking account of these issues in practice.

The Trustee also takes into account some non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

The Trustee believes that Scheme members would support action in respect of these non-financial factors and does not expect taking account of these factors to pose a risk of material financial detriment to the assets of the Scheme. Where exposure is deemed material, assets exposed to the following non-financial factors are excluded:

- Nuclear weapons
- Cluster munitions

Where exposure is deemed material, the following non-financial factors are considered strong grounds for exclusion from investment:

- Alcohol
- Tobacco
- Gambling
- Pornography
- Arms and firms supplying military and security services

Where exposure is material, the following non-financial factors are considered grounds for engagement and possible exclusion:

- Human rights (including caste discrimination)
- Children's issues
- Farm animal welfare
- Health and nutrition within the food and beverages industry
- Prison management
- Violence in media
- Issues related to Israel & Palestine

However, responsibility for the selection of individual assets is delegated to the Scheme's investment managers and the Trustee accepts that it may not be possible to find investment funds for all asset classes which take into account all factors which the Trustee consider important, or which exclude all investments which the Trustee would prefer to avoid. In this situation the Trustee adopts a pragmatic approach, seeking to find investment funds in which the allocations to such holdings are not material – with analysis being conducted before any new investment. The Trustee has limited influence over managers' investment practices, other than Epworth, in this area but it encourages its managers to improve their practices where appropriate.

8. Exercise of investment rights


The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not generally monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee will consider such policies from which it will determine whether circumstances require them to monitor or engage with investment managers or other holders of debt or equity. The Trustee understands these reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council. The Trustee is supportive of the recommendations made by the UK Stewardship Code and expects its investment managers to comply with the principles of the UK Stewardship Code (or to explain any non-compliance).

All of the Scheme's publicly-held shares are managed by Epworth, and the Trustee is able to engage with Epworth on its voting policies should it have a strong view on a particular issue. The Trustee is able to engage with Epworth via the Joint Investment Committee at quarterly Joint Investment Committee meetings, or via digital or written correspondence with Epworth. The Trustee cannot usually directly influence the policies of the Scheme's other investment managers.

SIP signed for and on behalf of the Trustee of the Scheme:

Signed:


31/05/22

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for the efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- setting the investment strategy, in consultation with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- likewise formulating a policy in relation to non-financial matters;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing and reviewing the performance of (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on socially responsible investment issues;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

The Trustee has delegated consideration of certain investment matters to the Joint Investment Committee, the role of which is to advise the Trustee on investment matters. Any decisions remain the responsibility of the Trustee.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;

- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

4. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Joint Investment Committee reviews the performance of the Scheme's investment managers regularly based on reports received from the investment managers and its investment adviser. See Section 5 of the SIP. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the Scheme's employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to those set out in the following subsections. The Trustee reviews these risks from time to time based on advice from its advisers. Where the risks are quantifiable the Trustee seeks to use relevant tools, reports and metrics to monitor the risks from time to time. Where the risks are not quantifiable the Trustee makes use of the judgement and experience of its advisers, investment managers and members of the Trustee board, which together, in the view of the Trustee, have sufficient range and breadth of expertise to assess the risks.

2.1. Risk of inadequate returns

A key objective of the Trustee is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis.

2.4. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income distributing share classes where appropriate.

2.5. Risk from excessive charges

If the investment management charges are excessively high then this will mean lower returns (after fees), a lower funding level and therefore more reliance on employer contributions.

The Trustees assess regularly whether these charges represent good value.

2.6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds and other debt-related assets via pooled funds. The Scheme is also subject to credit risk via pooled LDI funds that make use of bonds and derivative instruments including (but not limited to) interest rate and inflation swaps and repurchase agreements.

The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and predominantly invests in bonds that are classified as "investment grade". The Trustee believes that this credit risk is suitably managed by the fund managers who regularly review counterparties, diversify their exposure to them, and operate strict collateralisation procedures where relevant.

2.7. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

2.8. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and interest rate swaps, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding

risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

2.9. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors (including climate change and ethics) are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on their behalf. It regularly reviews how these risks are being managed in practice.

2.10. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.11. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsor is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

Details of the Trustee's policy in respect of investment managers, their objectives, and investment guidelines are set out below.

1. Epworth

The Trustee has selected Epworth as the investment manager of a portfolio of holdings in UK equities, overseas equities and cash, each accessed through pooled funds. The Trustee has signed an Investment Management Agreement ("IMA") with Epworth which outlines the nature of their relationship.

Under the IMA, Epworth invests the Scheme's assets in pooled funds managed by the Central Finance Board of the Methodist Church ("CFB"). The target allocations to each fund within the Epworth equity portfolio are set out in the Epworth IMA and the benchmarks against which the Trustee measures performance are set out in the table below. Epworth rebalances the equity portfolio towards benchmark weights if allocations have drifted outside tolerance ranges defined in the IMA.

Fund name	Benchmark
CFB UK Equity Fund	FTSE All Share Index
CFB Overseas Fund	FTSE All World ex UK Index
CFB Deposit Fund	1 week LIBID

All of the CFB funds above are dealt three times per month with the exception of the CFB Deposit Fund which is daily dealing. All of the above funds are open ended and unlisted. Epworth has appointed HSBC Bank Plc as the custodian of the Scheme's assets under their management.

In the event that BMO calls on additional capital to support the LDI portfolio (ie a "deleveraging" event), cash will be sourced from Epworth.

2. Schroder

The Trustee has appointed Schroder Real Estate Managers (Jersey) Limited ("Schroder") as the investment manager for part of the Scheme's UK property holdings.

The Scheme is invested in Schroder's Mayfair Capital Property Unit Trust ("MCPUT"), for which Mayfair Capital Investment Management Ltd ("Mayfair Capital") serve as property advisors.

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Asset class	Objective	Benchmark
UK property	To outperform its benchmark net of fees.	MSCI/AREF UK Quarterly All Balanced Property Fund Index

The MCPUT is open ended, quarterly dealt and unlisted.

3. Threadneedle

The Trustee has appointed Columbia Threadneedle Investments (“Threadneedle”) as the investment manager for part of the Scheme’s UK property holdings.

The Scheme is invested in the Threadneedle Property Unit Trust (the “TPUT”).

Asset class	Objective	Benchmark
UK property	To outperform the benchmark each year and to be in the top quartile of net returns over rolling three year periods.	MSCI/AREF UK Quarterly All Balanced Property Fund Index

The TPUT is open ended, monthly dealt and unlisted.

4. Partners Group

The Trustee has appointed Partners Group (Luxembourg) S.A (“Partners Group”) as the investment manager for the Scheme’s Impact investing portfolio.

The Scheme is invested in the Partners Group LIFE 2018 Fund (the “Fund”).

Asset class	Objective	Benchmark
Impact investing	To achieve attractive risk-adjusted returns on a globally diversified private markets portfolio focusing on investment opportunities that support the United Nation's Sustainable Development Goals.	Partners Group aims to achieve an IRR of 8% to 12% pa, net of fees, over the term of the Fund.

The fund is a closed-end investment vehicle, valued on a quarterly basis and is unlisted.

The expected term of the mandate is ten years (though it may be extended by up to two years via two one-year extensions). It is considered as an illiquid investment – the Trustee does not expect to be able to readily sell its stake in the fund.

5. BMO

The Trustee has selected BMO Global Asset Management (“BMO”) as the investment manager for the Scheme’s LDI portfolio. The Scheme invests in a bespoke pooled fund with BMO where it is the sole investor.

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Fund name	Objective	Benchmark
BMO LDI Private Sub-Fund	To hedge a portion of the Scheme's liabilities (as defined by a custom liability benchmark within the subscription agreement) against changes in interest rates and inflation expectations.	Custom liability benchmark based on the liability cashflows of the Scheme.

The BMO LDI Private Sub-Fund is daily dealing, open ended and unlisted.

6. AxA Investment Managers

The Trustee has selected AxA Investment Managers ("AxA") to manage the Scheme's corporate bond portfolio. The Scheme invests in a bespoke pooled corporate bond fund in which it is the sole investor.

Fund name	Objective	Benchmark
AxA Bespoke Buy and Maintain Credit Fund	To invest in a diversified portfolio of fixed income securities in an efficient manner that will, over the life of the Fund, seek to deliver and distribute cashflows by way of income and/or principal repayments on those securities.	No formal performance benchmark, though the Trustee intends to use the ICE Bank of America Merrill Lynch Sterling Non-Gilt Index (the "Reference Index") as a performance comparator. Mandate will be measured against following criteria: <ul style="list-style-type: none"> Realised default rate in the Fund vs the Reference Index. Level of rating migration to sub-investment grade within the Fund vs the Reference Index. The Fund's realised volatility vs the Reference Index over the longer term.

The fund is weekly dealt and unlisted. It is a sub-fund within AXA IM Smart Matching Solutions Plc, an Irish domiciled open-ended umbrella investment company with variable capital.

AxA manages the portfolio allowing for an exclusion list provided by Epworth, and reviewed from time to time by Epworth on the Trustee's behalf.

Additional Voluntary Contributions ("AVCs") Section

The Trustee has selected Epworth as the Scheme's money purchase AVC provider. Epworth manage the buying, selling or subscribing for units in the CFB funds, the allocation to which is in accordance with the relevant members' selections and not on a discretionary basis.

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The Scheme offers members a choice of two lifestyle strategies. Details of the two lifestyle strategies are set out below. Members are provided with information on the lifestyle strategies and their characteristics that will allow the members to make an informed choice.

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1. Lifestyle strategies

The Trustee offer members two lifestyle strategies. The asset allocation for both lifestyle strategies is the same until 10 years from retirement.

1.1. Default Lifestyle Strategy

Objective: The objective of the Default Lifestyle Strategy is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement, on the basis that members will take the whole of their pension savings as a cash lump sum at retirement.

The Default Lifestyle Strategy uses the Epworth UK equity, overseas equity, corporate bond, short fixed interest and deposit funds and targets 100% cash at retirement.

1.2. Alternative Lifestyle Strategy

Objective: To generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments that move in line with annuity prices as members near retirement, on the basis that members will use 100% of their pension savings to buy a guaranteed lifetime annual income (known as an annuity) at retirement.

The Alternative Lifestyle Strategy invests in the Epworth UK equity, overseas equity, corporate bond and gilt funds. It targets 100% bonds at retirement.

These options have been selected based on the Trustee's understanding of the demographics of the Scheme's membership. If members do not select a strategy to invest their AVCs in they will automatically be invested in the Default Lifestyle Strategy.

Prior to August 2020 the Scheme also allowed members who joined before 2006 to invest AVCs in a With Profits arrangement offering a guaranteed level of return. Since then, although existing member assets remain invested alongside the Scheme's DB assets with the Scheme Actuary advising on any further bonuses to be paid to members, all additional AVC's are invested in the lifestyle strategies described above.

The Trustee will review performance of the AVC fund selection on a regular basis.